
PROJECTS BUDGET GUIDE

PROJECTS EXPENDITURES OVERVIEW

The Projects Budget of the City of Sunnyvale encompasses four categories of expenditures. The first (Capital Projects) covers major improvements, construction, or acquisitions; for example, replacing sidewalks, erecting a new building, or purchasing a piece of property. The second (Infrastructure Projects) provides for the long-term renovation and replacement of the City's infrastructure; for example, planning for eventual replacement of building roofs or heating systems. The third category (Special Projects) includes one-time projects designed to address a significant community need or problem; for example, a feasibility study on the need for higher capacity at the Water Pollution Control Plant. The fourth category (Outside Group Funding Projects) represents essentially special projects; however, they are established to capture contributions made to local community-based organizations.

In order to provide a sound foundation for decision-making regarding capital improvements and other project-related efforts, the City applies many criteria to help understand the value of a particular project. These criteria and their related questions include:

- **Public Health and Safety:** Is the project needed to alleviate a significant, existing hazard?
- **Legal/External Requirements:** Is the project required by a Federal or State law, regulation, or legal mandate?
- **Relation to Adopted Plans:** Is the project included in a formal plan that has City Council approval?
- **Environmental Quality:** Will the project improve environmental quality of the City or a specific area/neighborhood?
- **Public Support:** Has the public clearly demonstrated a significant desire for the City to undertake the project?
- **Percentage of City Population or City Organization Served:** What percentage of the City or the City organization will the project serve?
- **Protection of Capital Assets/Facilities:** Is the project critical to save the structural integrity of an existing facility or will it repair significant structural deterioration?

- **Life Expectancy:** For how long will the project meet the needs of the community or the City organization?
- **Benefit-to-Cost Ratio:** What is the project's return on investment?
- **Economic Development:** Does the project promote and encourage capital investment, increase the City's tax base, improve job opportunities, attract customers to the City, or produce public or private revenue?
- **Availability of Financing:** Will project revenues from outside the City cover a portion or all of project expenses?
- **Effect on Operating Budget:** Will the project increase or decrease operating and/or maintenance costs?
- **Effect on Process Efficiency:** Will the project improve the efficiency of a City process?

Capital improvements substantially affect the economic vitality and quality of life in the community. By definition, a capital improvement requires a major initial investment, a significant and continuing financial commitment, and eventually replacement. Capital improvements require careful long-term planning and budgeting so that cyclical downturns or unforeseen financial emergencies do not curtail planned maintenance and necessary replacement.

In Sunnyvale's multi-year framework, capital improvement maintenance and infrastructure replacements are given a high priority. New capital improvements must be supportive of the General Plan. Infrastructure projects ensure that the City's long-term financial plans represent the large demand that fixed asset replacement places on any governmental agency.

FISCAL POLICIES RELATED TO CAPITAL AND INFRASTRUCTURE EXPENDITURES

FINANCIAL PRACTICES

Maintain sound financial practices that meet all applicable standards and direct the City's financial resources toward meeting the City's long term goals.

POLICIES

Capital Improvements Maintenance and Replacement: Provide for optimal maintenance of capital improvements and schedule equipment for future replacement at the most cost-effective time.

Capital Improvement Design: Design capital improvements to assure cost efficiency and to accomplish City goals and policies.

Capital Improvement Funding: Use all available funding sources to finance capital improvement projects consistent with City priorities.

Land Acquisition: Acquire land to meet City goals in the most cost efficient and timely manner.

Reserves: Provide a prudent level of reserves for future unexpected expenses and revenue declines; to accumulate funds to support future planned capital improvements; and to level high and low expenditure years in the Ten-Year Resource Allocation Plan.

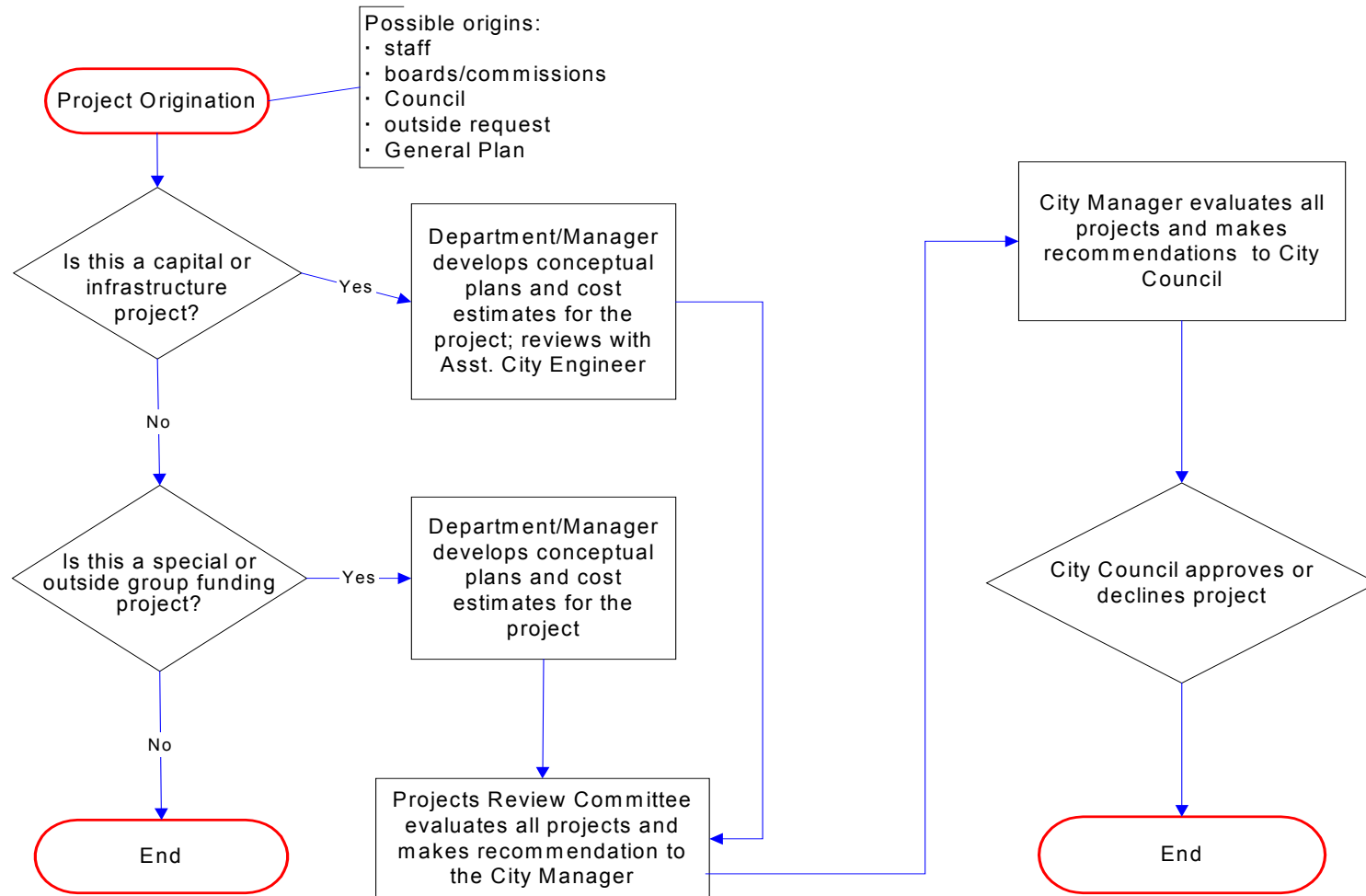
OPERATING BUDGET IMPACT

Operating resources required to maintain new capital improvements commencing the year the improvement is completed are included in the City's long-term financial plans. Each **Project Information Sheet** identifies, if applicable, the amount and the fiscal year in which the additional operating costs become effective. These costs are incorporated in the long-term financial plans for each fund affected. This approach provides a complete financial analysis of the impact of all projects proposed for funding in the immediate year as well as in future years.

PROJECTS PLANNING PROCESS

Since FY 1999/2000 the City has utilized a Projects Review Committee. The Committee is made up of members who are key to the project process, including the directors of Finance, Public Works, Community Development, and Parks and Recreation. The Committee is charged with the responsibility of prioritizing all new project requests and ultimately making recommendations to the City Manager for approval. The Committee puts each new project proposal through a rigorous evaluation process through the use of an evaluation sheet completed by the respective project manager. As a result, only those new projects that have substantial and significant merit are recommended to the City Manager for approval. The flowchart on the following page provides an overview of the process followed by City departments from the time a project is conceived through the time the project is approved by the City Council.

PROJECT BUDGET PROCESS



While the projects planning process was used to evaluate projects for the Recommended FY 2003/2004 Project Budget, the current budget crisis required a change in focus with a re-evaluation of all projects.

CITY OF SUNNYVALE BUDGET CRISIS

The City Manager presented a 6-Point Plan of Action in response to the City's fiscal and budget crisis to the City Council at the annual future fiscal issues workshop on January 28, 2003. The report described the nature and scope of the financial problems that the City is facing, outlined six budget strategies to address these problems, and presented an approach for providing public input and a time frame for implementation.

The first point of the 6-Point Plan of Action called for City staff to re-examine the 10-Year Capital Projects Plan, and to make recommended revisions to help close the projected \$11 million annual gap between revenues and expenses in the General Fund. The City Manager used four criteria in recommending whether existing projects should be either retained at current funding levels, retained at changed funding levels, or deleted from the current 10-Year Plan. These same criteria were used in recommending new projects to the plan. The criteria are:

- Projects that preserve the integrity of the City's existing infrastructure systems were retained or added.
- Projects that address a life safety issue or problem were retained or added.
- Projects that leverage outside funding from a governmental agency were retained or added.
- Projects that are currently under construction, are expected to be completed this fiscal year, or where suspending construction work now would jeopardize the integrity of the project were retained or added.

Based on the above criteria, a total of 69 projects are not recommended for funding in the FY 2003/2004 Projects Budget, 41 of which are existing projects and 28 are new project proposals; 32 new project proposals have been recommended for funding. A complete listing of all unfunded projects is included in a new section, Unfunded Projects, in this volume. This listing will be maintained and at such time the City's financial position improves, these projects will be re-evaluated for funding.

HOW THE PROJECTS BUDGET IS ORGANIZED

The Projects Budget is divided into four main project categories: Capital, Infrastructure, Outside Group Funding, and Special. Within these four categories are eight possible types of projects:

General: Includes capital and special projects which range from the construction, maintenance and repair of various City buildings and facilities, to one-time-only grants to Community Based Organizations that provide specialized services to the community.

Parks: Includes projects involving the maintenance and upgrade of City parks, game fields, community centers, and recreation buildings.

Sanitary Sewer: Includes projects for the improvement and maintenance of the wastewater collection and treatment system, and for the implementation of Federal and State mandated requirements.

Solid Waste: Provides funding for various activities related to refuse disposal and implementation of mandates regarding waste reduction.

Storm Drain: Includes improvements to the City's storm drain pump stations and construction of storm drains.

Street & Traffic Signals: Includes various safety and maintenance improvements to public thoroughfares and the City's traffic control inventory.

Water: Includes projects for the improvement and maintenance of the water distribution system of the City.

CDBG: Includes projects for the purpose of administering entitlement grants from the U.S. Department of Housing and Urban Development (HUD) to assist low and moderate income persons, seniors, and individuals with disabilities in the City; and to develop affordable housing.

In each project category and type you will find: 1) a schedule of proposed costs spanning a ten-year period, and 2) individual Project Information Sheets. Each Project Information Sheet contains the project number/name, a statement of need summary, project costs, operating costs, and revenues/cost savings over the life of the project (within the ten-year window). Additional miscellaneous information is also provided on these pages identifying the relation of the project to the General Plan, as well as the Neighborhood

Planning Area where the project will have a significant impact, if applicable.

Several project indexes are included in the Projects Budget:

1. Index of projects sorted by numerical order
2. Index of projects sorted alphabetical order
3. Index of projects sorted by department
4. Index of all new projects sorted by numerical order
5. Index of all projects not recommended for funding in the FY 2003/2004 Recommended Project Budget.

Each project is identified by category: Capital, Infrastructure, Outside Group Funding, or Special, and by project type. To locate a particular project, first find it in an index, and then go to the corresponding divider tab. The divider tabs specify the category and type of the projects in each section.